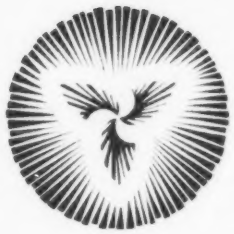

ONTARIO ENERGY CORPORATION

Annual Report 1990

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ONTARIO ENERGY CORPORATION

Annual Report 1990

THE YEAR'S HIGHLIGHTS

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PRESIDENT'S REPORT

In 1990, the Corporation completed its divestment mandate. The Corporation's remaining assets consist of its Suncor Inc. holding, and cash and short-term investments of $18 million.

The increase in its current assets reflects the cash dividend from Suncor Inc. of $5.4 million and interest income in the year which exceeded expenses by $1.2 million. Additional proceeds from an earlier disposal of investments of $135,000 was received.

At year end, the future plans of the Corporation were under review.

This year Duncan M. Allan, who had steered the Corporation through its divestment mandate, stepped down from the position of President and Chief Executive Officer. I would like to acknowledge his contribution and that of Daniel Gagnier who resigned from the Board.

Respectfully submitted on behalf of the Board:

Marc Eliesen

Marc Eliesen
President and Chief Executive Officer

BOARD OF DIRECTORS

Duncan M. Allan
Special Advisor to the Premier
Toronto Waterfront Development

Bryan P. Davies *
Deputy Minister
Ministry of Treasury & Economics

George R. Davies
Assistant Deputy Minister
Ministry of Energy

George A. Dominy *
Manager, Oil & Gas Section
Ministry of Energy

Marc Eliesen
Deputy Minister
Ministry of Energy

Robert A. Simpson *
Deputy Minister
Ministry of Financial Institutions

* Member of Audit Committee

OFFICERS

Marc Eliesen
Chairman
President and Chief Executive Officer

Victor A. Bailey
Treasurer

Robert Law
Secretary

AUDITORS

Deloitte & Touche

FINANCIAL STATEMENTS

PREPARATION AND REVIEW OF THE FINANCIAL STATEMENTS

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Management is also responsible for the other information in the annual report, which is consistent with that contained in the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through an Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management and the external auditors at least twice each year to satisfy itself that management's responsibilities are being properly discharged and to review annually the financial statements.

The external auditors, Deloitte & Touche, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the Corporation's financial statements. The auditors' examination includes a review and evaluation of the Corporation's system of internal control. Appropriate tests and other procedures are conducted to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board. The Provincial Auditor has access and reviews from time to time the working paper files of the external auditors.

AUDITORS' REPORT

TO THE SHAREHOLDER OF ONTARIO ENERGY CORPORATION

We have audited the balance sheet of Ontario Energy Corporation as at December 31, 1990 and the statements of income and deficit and of changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants
Toronto, Canada
May 23, 1991

STATEMENT OF INCOME AND DEFICIT
Year ended December 31, 1990

	1990	1989
	(000's)	(Restated - Note 2)
REVENUE		
Interest	$ 1,569	$ 1,416
Gain on disposal of investments (Note 4)	135	730
	1,704	2,146
EXPENSES		
General and administrative	403	241
INCOME FROM OPERATIONS	1,301	1,905
EQUITY IN NET EARNINGS OF SUNCOR INC. (Note 2)	30,750	14,000
NET INCOME	32,051	15,905
DEFICIT, BEGINNING OF YEAR		
As previously reported	(144,848)	130,753
Adjustment (Note 2)	8,500	6,500
As restated	(136,348)	(124,253)
DIVIDEND	-	(28,000)
DEFICIT, END OF YEAR	$(104,297)	$(136,348)

BALANCE SHEET
December 31, 1990

ASSETS		
CURRENT ASSETS		
Cash and short-term investments	$ 18,055	$ 11,319
INVESTMENT IN SUNCOR INC. (Note 2)	$ 300,407	275,094
	$ 318,462	$ 286,413
LIABILITY		
CURRENT LIABILITY		
Accounts payable & accrued liabilities	$ 44	$ 46
SHAREHOLDER'S EQUITY		
SHARE CAPITAL (Note 3)	97,715	97,715
CONTRIBUTED SURPLUS	325,000	325,000
DEFICIT	(104,297)	(136,348
	318,418	286,367
	$ 318,462	$ 286,413

Approved by the Board:

Marc Eliesen, Director

Bryan P. Davies, Director

STATEMENT OF CHANGES IN FINANCIAL POSITION
Year ended December 31, 1990

	1990	1989
	(000's)	
		(Restated-Note 2)
OPERATING ACTIVITIES		
Net Income	$ 32,051	$ 15,905
Items not affecting cash flow		
Gain on disposal of investments	(135)	(730)
Equity in net earnings of Suncor Inc.	(30,750)	(14,000)
	1,166	1,175
Proceeds on disposal of investments	135	730
Suncor Inc. dividends	5,437	-
	6,738	1,905
Change in operating working capital		
Accounts payable & accrued charges	(2)	(21)
Cash provided by operating activities	6,736	1,884
DIVIDEND PAID	-	(28,000)
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	6,736	(26,116)
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	11,319	37,435
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	$ 18,055	$ 11,319

NOTES TO THE FINANCIAL STATEMENTS
December 31, 1990

1. DESCRIPTION OF BUSINESS

The Ontario Energy Corporation was established to invest in, or otherwise participate in, energy projects with a view to enhancing the availability of energy in Ontario. In recent years, the Corporation has followed a divestment mandate and the future plans for the Corporation are being reviewed at this time.

2. INVESTMENT IN SUNCOR INC.

Suncor Inc. is an integrated oil and gas company. The investment in 25% of the common shares of Suncor Inc. is accounted for using the equity method.

	1990	1989
	(in thousands)	
Balance, beginning of year		
As previously reported	$266,594	$254,594
Adjustment - see (a) below	8,500	6,500
As restated	275,094	261,094
Equity in net earnings		
As previously reported	30,750	12,000
Adjustments - see (a) below	-	2,000
As restated	30,750	14,000
	305,844	275,094
Dividends received	(5,437)	-
Balance, end of year	$300,407	$275,094

a. Change in accounting policy

Effective January 1, 1990, Suncor Inc. adopted the deferral method of accounting for costs of maintenance shut downs instead of the previously followed accrual method. The financial statements of Suncor Inc. were restated to give effect to this change in accounting policy and, as a result, the Corporation's investment in Suncor Inc. increased by $6.5 million at January 1, 1989 and the Corporation's 25% equity share of the net earnings for 1989 and 1990 increased by $2 million and $3.75 million, respectively.

2. INVESTMENT IN SUNCOR INC.

b. Summarized information

Summarized financial information of Suncor Inc., adjusted for the change in (a) above, as at December 31, 1990 and 1989, and for the years then ended is as follows:

	1990	1989 (Restated-Note 2)
	(millions)	
Working capital	$ 146	$ 75
Total assets	$ 2,259	$ 2,065
Shareholders' equity		
Preferred shares	$ 6	$ 7
Common shares and retained	499	499
Retained earnings	701	599
	$ 1,206	$ 1,105
Revenue	$ 1,759	$ 1,488
Net earnings	$ 124	$ 57
Cash dividends on common shares	$ 21	$ -
Stock dividends on common shares	-	21
	$ 21	$ 21

3. SHARE CAPITAL

Share capital - December 31, 1990 and 1989	(in thousands)
Authorized	
An unlimited number of common shares	
20,000,000 non-voting special shares	
Issued	
2,000,000 common shares	$ 100,000
Less	
45,708 common shares held in Treasury, at cost	2,285
	$ 97,715

4. GAIN ON DISPOSAL OF INVESTMENTS

As at December 31, 1988, additional proceeds with respect to investments disposed of during 1988 were contingent on specified future events such as the realization of exploration tax credits and outstanding joint venture audits. As a result, revenue of $135,000 and $730,000 was received and recorded as an additional gain on disposal in 1990 and 1989, respectively. No further proceeds are anticipated.

5. INCOME TAXES

The Corporation is not subject to income tax so long as not less than 90% of the outstanding shares of the Corporation are held directly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario.